

Regional Activity to Promote Integration through
Dialogue and Policy Implementation (RAPID)
REGIONAL MARKET INTEGRATION



**SUPPORT FOR
TRANSPORT AND TELECOMMUNICATION REFORM IN
SOUTHERN AFRICA:
PROTOCOL IMPLEMENTATION**

TECHNICAL ASSESSMENT REPORT:

A PROFILE OF SARA AND ITS PERCEPTION OF REGIONAL PRIORITIES

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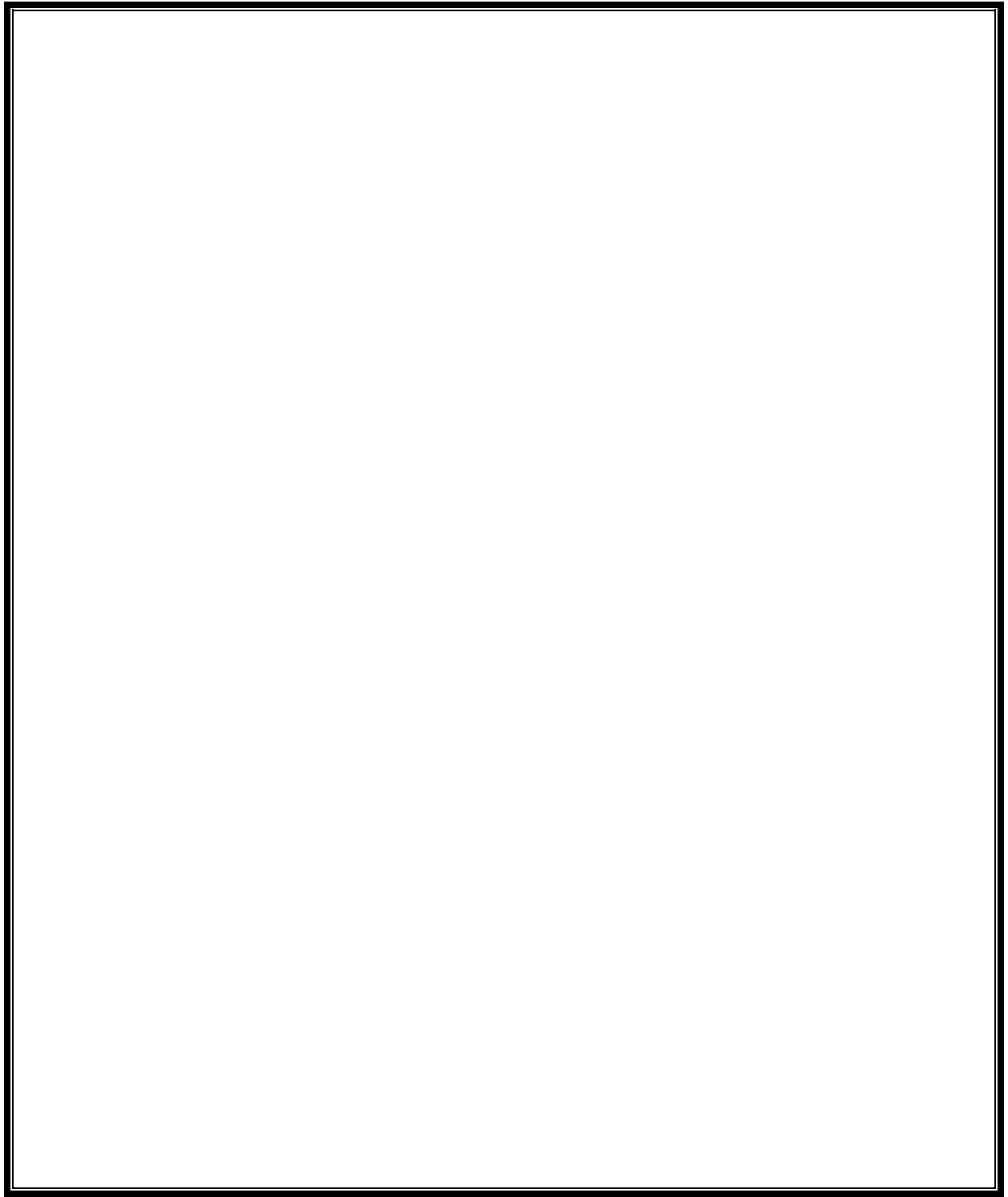
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1. The Mission

Southern African Railways Association (SARA) is the regional association of the railways of the SADC region. Its mission is to bring about fair competition between road and rail; to develop an equitable market driven surface transport industry; improved efficiency and effectiveness in regional railways operations and to champion the cause of regional railways. It was founded in April 1996. Formation of SARA is in consonance with Article 13.13 of the SADC Protocol on transport, Communications and Meteorology that has been adopted by all SADC states. All regional railways, including those in the private sector, are members of SARA.

2. Structure

The Chief Executive of each member railway is a member of the Board of Directors of SARA. Members elect the President and a Vice President of the Board for yearly tenure. An Executive Committee has been established that deals with matters such as preparation of reports, preliminary policy formulation and review of railway performance. The Board is assisted by a secretariat headed by a General Secretary who is a full time employee and is responsible for the day to day operation and management of the association and lobbying for railway industry. The other professionals of the secretariat are a Programme Coordinator responsible for coordination of regional railway operational initiatives and a Project Manager responsible for regional track maintenance training. One further appointment is imminent to oversee the USAID sponsored Regional Rolling Stock Information and Management System (RSIS). The current office bearers of SARA are: Mr. G. J. Mahlalela, Chief Executive of Swaziland Railway (President), Mr. R Mortensen, Chief Executive, CEAR, Malawi (Vice President) and Eng. Remy Mukumbe, the General Secretary.

3. Resources and Funding

SARA received external assistance in its setting up and provision of infrastructure. However, its future operations are to be funded by membership fees paid by members.

4. Projects

RSIS

The Rolling Stock Information System Project (RSIS) is being installed under a USAID funded project to provide a real-time rolling stock tracking system covering the seven Southern African development Community (SADC) Railways of Botswana, Malawi, Mozambique, Swaziland, Zambia, Zimbabwe and the Tanzania-Zambia Railway Authority. This will be an integrated regional system that is based on two existing systems, SPRINT, used by the South African Railway system (SPOORNET) and ACIS RailTracker system (developed by UNCTAD) and used by Tanzania Railway Corporation. RSIS includes a newly developed Wagon Hire Settlement System (WHSS), an off line accounting system for wagon hire accounting.

Completion of this system, planned for the second half of 2001, will enable the SADC railways to operate as an integrated regional transportation system offering a seamless and cost-effective service to the customer through the ability to track traffic movement in real time. It will also improve asset utilization, viability and overall efficiency of the railways.

SARA will host the off line data base at Harare and not only oversee the management of RSIS but also carry out computation of operating statistics and wagon hire accounts for the participating railways through WHSS.

Regional Track Maintenance Training Project

SARA is coordinating this project for facilitating training of permanent way maintenance personnel. The Austrian government funds this project.

5. Corridor Management Concept

SARA monitors railway performance in the region and promotes measures for improving efficiency on the basis of corridors. It has identified the following 10 corridors:

- Namibian (TNB, SPT)
- Dar es Salaam (TZR, ZRL, SNCC)
- Plumtree (ZRL, NRZ, BR, SPT)
- Ressano Garcia (SPT, CFM South)
- Richards Bay (SPT, SR)
- Limpopo (ZRL, NRZ, CFM South)
- Beitbridge (ZRL, NRZ, SPT)
- Goba (SR, CFM South)
- Nacala (CEAR, CFM North)
- Beira (CFM Central, NRZ, ZRL)

An interdisciplinary Corridor Management Group (CMG) has been formed for each corridor and these are working to improve the performance over the corridors. CMGs facilitate co-operation between railways and contribute to the development of an integrated rail transport system for the SADC region. SARA oversees and co-ordinates the working of CMGs.

6. SARA's Perceptions of Regional Priorities

SARA's perception of regional priorities is represented by three main themes:

- a) Developing policies and lobbying for fair competition between road and rail (user pays principle and level playing field);
- b) Promoting railway reform/restructuring and in particular concessioning since this is deemed to be the preferred approach for SADC railways; and

- c) Corridor management that includes monitoring and analysis of corridor performance and the implementation of the RSIS and WHSS systems that would assist railways achieve better efficiency, improve asset utilization, reduce unit costs and improve quality of service.

SARA has identified several initiatives to support its agenda. These include

1. Capacity building for information technology (web site and library sciences), public relations/lobbying, strategic planning for SARA, and developing policies for railway reform.
2. Writing position papers and market research related to transport business and quality of service.
3. Studies to:
 - a) evaluate cost savings on road infrastructure maintenance if heavy traffic shifts to rail;
 - b) assess impact in terms of economic cost due to distortion in transport market caused by the lack of implementation of the “full cost recovery” and “user pays principle”;
 - c) assess the economic and financial impact of rail services in the region;
 - d) assess safety and environmental impact of railways on the SADC region;
 - e) evaluate the desirable extent of integration of SADC railways and assess potential benefits of such integration;
 - f) develop a common costing system for SADC railways;
 - g) suggest measures for harmonizing the cost structure along SARA corridors to facilitate implementation of the equity principle for revenue sharing;
 - h)** promote equal opportunities and employment for women in railway industry in the region;
 - i) improve application of Value Added Interchange Rules and Associated Transactions on corridors.
3. Additional training of SARA and railway officials related with RSIS system.
4. Assistance for setting up a railway regulatory authority in Malawi

Details of projects/studies proposed by SARA are given in Annex 1.

7. Project Proposals for Inclusion in RAPID Initiative

The following activities that are considered relevant to the TO 2.1 may be considered for inclusion in this task order. Their selection represents support of SARA’s regional perspective. All these would be completed within six months of commencement of work.

1. Carry out the following evaluation/assessments to provide a credible basis for development of regional policy for the transport sector

- i. evaluate cost savings on road infrastructure maintenance if heavy traffic shifts to rail;
- ii. assess impact in terms of economic cost due to distortion in transport market caused by the lack of implementation of the “full cost recovery” and “user pays principle”; and
- iii. assess the economic and financial impact of rail services in the region.

2. Identify and procure an off the shelf railway costing system suitable for small railways and customize it for interface with RSIS and implement it on one of the SARA railways as a demonstration project. This would encourage other SARA members to adopt the same costing system. Also suggest, using the costing system adopted, measures for harmonizing the cost structure along SARA corridors to facilitate implementation of the equity principle for revenue sharing.

3. Provide technical assistance for setting up a railway regulatory authority in Malawi so that one is established within six months. This would be a timely support as Malawi Railway is already concessioned and there is an urgent need for the establishment of such an authority.

8. Conclusions

SARA is a valuable partner of RAPID as a regional institution. It will play an important role in policy implementation at regional level to assist in achieving the above objective of obtaining integrated and efficient transport systems for the region.

PROJECTS AND STUDIES PROPOSED BY SARA

Southern African Railway association (SARA) proposed the following projects/studies for support by USAID in January 2001. SARA has prioritized these as per its perception.

CATEGORY A (HIGH PRIORITY)

A.1 Information Technologies Capacity Building for SARA Web site and Library Sciences (Capacity Building)

The Southern African Railways Association, by virtue of its regional coordinating role, shall undertake the responsibility of gathering vital information, analyses as well as dissemination to key Stakeholders.

The information shall pertain to regional railway operations, infrastructure, equipment, competition, policy related aspects, transport business market outlook and law enforcement.

In this regard, SARA wishes to establish an extensive database and an individually owned server for this purpose. The Web Site shall be accorded the highest priority in SARA's efforts to achieve this goal.

The support entails development of Project TORs, acquisition of appropriate hardware and software, development of a web site, provide training to Secretariat Staff and development of maintenance framework for the system.

Whilst the indications are that the Africa Link Project shall possibly accommodate this proposal, it is necessary to highlight its importance in the context of the SARA Business Plan.

A.2 Public Relations and Lobbying (Capacity Building)

The Southern African Railways Association was originally established purely for lobbying purposes. This underscores the importance SARA members attach to advocacy for fair competition by targeting influential decision making entities and transport policy makers.

In this regard, SARA needs to formulate a framework and a Strategy for a proactive public relations, lobbying and advocacy strategy. SARA, besides improving its quality of service and competitiveness, needs to counteract prevailing and potential unfair competition in the transport arena.

SARA also needs to promote public awareness on these issues, identify the necessary Stakeholders and put in place a strategy for awareness of the importance of rail and indeed fair competition between road and rail.

The project, where affordable, could also entail secondment of personnel to organizations and institutions with proven records of success in this area.

A.3 Cost Savings on Road Infrastructure Maintenance due to Railways (Study)

The objective of this study is to demonstrate that a shift of heavy load traffic from road to rail brings significant saving and enhances the SADC member states welfare.

The Project shall, *inter alia*, examine the following:

- a) cost of damage to road pavements by heavy vehicles, vis a vis, the current and projected cost recovery quantum.
- b) Consideration of externalities and social costs associated with pollution, congestion and safety.
- c) Recommend quantum of cost recovery that enable fair competition to obtain between road and rail based on marginal cost pricing in both modes.

The Project entails drawing up of the relevant TORs and an extensive study.

The output of this study would constitute a potent tool for lobbying and advocacy purposes.

A.4 Intermodal Competition (Levelling of the Playing Field) (Study).

This project is closely related to A.3 above.

This particular project is expected to address the specific aspects of the impact of the lack of implementation of the “*full cost recovery*” and “user pays principle” as it distorts competition between road and rail.

The project is expected to examine, among others, the impact of the foregoing on payload, tariff regime and profitability of the two modes.

If necessary A.3 and A.4 can be combined.

A.5 Strategic Planning (Capacity Building)

The objective of this exercise is to provide technical assistance to facilitate the development of a framework for the Association’s Strategic Plans in line with SARA’s objectives and entails research in areas like SADC national and regional economies potential and outlook, policy development and

implementation, investment analyses and updating of the SARA Business Plan.

A.6 Policy Statements (Study/Capacity Building)

SARA is expected to make the necessary intervention to ensure that favorable rail reform and transformation obtains. This includes issues pertaining to fuel levies, infrastructure financing and cost recovery, modalities for privatization and concessioning, employee retrenchment packages liabilities and other key policy issues.

SARA needs to establish the mechanism for participation in this area as well as influencing the course of developments in this area through issuing of policy statements and Press Releases.

Whilst some measure of progress has been made on account of the exposure to the current initiatives of the Australasian Railway Association, enhanced appreciation of these Strategies will be value added to the cause of SARA.

A.7 Position Papers

This project could be married with Project A.6 above.

A.8 Market Research and Development (Capacity Building)

In order to formulate the appropriate value added strategies, market research on current and potential business, customer preferences on quality and nature of service and its impact on competition needs to be undertaken. The perceptions of the key stakeholders also require some measure of appreciation.

Based on the results of such market research, appropriate strategies on service design and standards, counteracting adverse perceptions about rail and other appropriate initiatives could be formulated to address such concerns. Technical assistance is required to facilitate these activities.

A.9 Economic and financial aspects impact on Rail within SADC (Study).

The purpose of the study is to assess the economic impact of rail and its development to the industry in terms of macroeconomic aggregates in respect of economic growth, employment, balance of payments and exchange rate stability within the SADC member states.

The output of such a study could provide a basis for a position paper leading to a white paper aimed at sensitizing the key stakeholders (governments, politicians, public, industrialists, labour etc).

CATEGORY B (MEDIUM PRIORITY)

B.1 Economic Impact of Rail in Southern Africa (Study)

Similar to A.9 or at least the two could indeed be measured.

B.2 Safety and Environmental Impact of Rail in Southern Africa.

Such a study would assess the impact of rail in terms of safety (accidents and reduction), road congestion and environment (pollution) as well as other externalities and social costs and losses.

The output would in turn be used as part of the tool for the campaign in favour of investment and enhanced use of rail transport.

B.3 Benefits of an Integrated Regional Rail System (Study).

The SADC Integrated Regional Rail Network is one of the most advanced Rail network cutting across international boundaries among developing countries.

Whilst these railways are physically integrated further improvements are desirable from an operating and service provision point of view.

The objectives of the Study is to confirm the extent of integration desirable for SADC railways, the current state of integration, the potential benefits of full integration and measures to be put into place to realise full integration and the corresponding benefits to the region.

CATEGORY C

Owing to low priority associated with projects proposed for this category, discussions on these aspects is deferred.

CATEGORY D

D.1 Establishment of An Effective Costing Systems Amongst SARA Railways (Study)

The Southern African Railways Association is desirous to introduce a tariff regime and revenue sharing principle based on distance equity, competitive and profitable tariff. However, it is necessary to establish a common costing system to ensure cost recovery and operational costs reduction.

To this end, it is necessary to undertake a study aimed at identifying and harmonizing cost structures along international corridors in different countries

and ultimately implement a uniform costing system to enhance rail transport competitiveness.

The project entails drawing up of the relevant TORs, appointment of internal personnel and external consultants for the purpose, undertaking the study and recommend an appropriate costing system for this purpose.

D.2 Harmonisation of Cost Structure along SARA Corridors to facilitate the Implementation of the Equity Principle and Revenue Sharing (Study).

It is proposed that Study D.1 and D.2 be married, and are adequately covered above.

D.3 Promotion of Equal Opportunities and Employment, Development for women in the Railway industry (Study)

A proposal on this matter has already been mended to RCSA.

D.4 Facilitation of Collaboration between AAR and SARA (Capacity Building).

SARA would like to tap the experiences of other global associations. SARA is very grateful for the facilitation funded by the USAID RCSA sponsored Study of the Australasian Railway Association (ARA) in Australia, which, as the report confirms, accorded SARA an opportunity to appreciate and subsequently implement strategies similar to those employed by ARA. The ARA has proved very strong on matters of advocacy for rail industry and its development, fair competition, public awareness and collective broad based consultation, from which SARA has taken a cue. The ARA operates on the premise that its members have developed harmonized operational standards and have an acceptable high standard of quality delivery, hence refrain from being involved in these areas.

On the other hand, the Association of American Railroads (AAR) and possibly the Association of Low Capacity Lines are heavily involved in development of harmonized standards of operation, interchange, maintenance, operating methods as well as modalities for enforcement of standards.

SARA wishes to request for Technical Assistance to enhance its capacity in this area through interaction with the two Associations. This would take the form of secondments, study tours and framework development involving the Secretariat, appropriate railway officials and AAR organs.

D.5 Application of Value Added Interchange Rules and Associated Transactions on SADC Railway Corridors (AAR/TTCI Support) (Study)

The Southern African Railways Association and SATCC have embarked on improvement of interchange technical and operating standards and procedures as part of the development of a seamless service in recent years. Some progress has been made although there is scope for further consolidation of desired standards, implementation and enforcement, considered value added to the railway business competitiveness.

It is proposed that SARA undertakes a project to complete this project, through possible facilitation of the AAR Transportation Technology Centre, Inc, or any other organization deemed qualified to undertake the project.

The project entails development of TORs and execution in the following activities:-

- (a) Confirmation of desirable technical and operating interchange rules and procedures and other business procedures.
- (b) Assessment of the extent of or lack of implementation of desired procedures along SARA corridors.
- (c) Formulation of a proposal for implementation within the SARA corridors.
- (d) Implementation of the approved procedure.

It is envisaged that this project would enhance the wagon transit time and reduce detention times at interchange stations, thereby reduce costs, enhance efficiency and increase rail market share.

D.6 Training of SARA Staff on RSIS system outside the scope of the RSIS Statement of works.

This component seeks to solicit technical assistance to facilitate training of SARA Secretariat and railway officials in areas not originally identified when the RSIS Statement of works was developed.